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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 25, 2000

APPLICATION OF

SYDNOR HYDRODYNAMICS, INC.

and

CASE NO. PUE990532

AQUASOURCE UTILITY-VIRGINIA, INC.

For certificates of public
convenience and necessity
for the Lake Shawnee System

FINAL ORDER

On November 9, 1999, Sydnor Hydrodynamics, Inc. ("Sydnor"), and AquaSource Utility-Virginia, Inc. ("AquaSource Virginia" or "the Company"), (collectively, "Applicants"), filed an application requesting certificates pursuant to §§ 56-265.2 and 56-265.3 of the Code of Virginia ("Code"). Applicants request a certificate pursuant to § 56-265.2 for AquaSource Virginia to acquire from Sydnor the existing assets of the Lake Shawnee System. Applicants also request a certificate pursuant to § 56-265.3 for AquaSource Virginia to continue to provide water service to the Lake Shawnee Subdivision located in Powhatan County, Virginia. In addition, Sydnor and AquaSource Virginia request authority for the above-referenced transfer of assets pursuant to Chapter 5 of Title 56 if the Commission determines that such authority is required.

In their application, Applicants state that there will be no change in the operation or rates for the Lake Shawnee System. The current rates are as follows: \$36.12 minimum charge for the first 8,000 gallons of water and \$4.515 per 1,000 gallons thereafter. The Company renders its bills bimonthly in arrears.

The minimum bimonthly charge becomes effective when water service is made available to the lot, and no bill is rendered for less than the minimum service charge, regardless of usage or inactive connection.

The Company proposes the following miscellaneous charges: a \$20.00 service transfer charge, a 1 1/2 percent per month late payment fee on all past due balances, and a \$2,000 service connection charge for single dwellings with the same charge applicable per equivalent unit for multiple unit dwellings. AquaSource Virginia also proposes a customer deposit equal to a customer's estimated bill for one regular billing period, with such deposit payable in three consecutive equal installments if the estimate exceeds \$40.00. There is also a \$40.00 turn-on charge to restore water service that has been discontinued for the non-payment of a bill, for the violation of the Company's rates, rules, and regulations of service, or upon customer request. That charge will increase to \$120.00 if turn-on is made after 4:00 p.m. on a weekday or during a night, a weekend, or a holiday. In addition, AquaSource Virginia proposes a

\$17.00 bad check charge and a \$35.00 meter test charge provided that the meter was not tested during the last two years. The meter test charge is refundable if it is determined that the meter is over registering.

By Order dated January 31, 2000, the Commission directed the Company to give notice of its application, to provide the public with an opportunity to comment and request a hearing, and to file certain financial information with the Commission's Division of Public Utility Accounting on or before April 1, 2001, based on operations for the twelve months commencing January 1, 2000. The Commission also directed its Staff to file a report detailing its findings and recommendations on or before March 24, 2000.

There were no comments or requests for hearing filed in this case.

Staff filed its Report on March 24, 2000. In its Report Staff recommended approval of the requested certificates, the proposed water rates, and the proposed miscellaneous charges and tariff, subject to certain modifications. Such modifications include reducing the proposed after-hours reconnection charge from \$120.00 to \$100.00 and deleting the reference obligating a customer with an inactive service connection from payment of the minimum water rate.

Staff also recommended changes to Rule Nos. 1, 2, 6, 9, and 10 of the Company's tariff. Specifically, Staff proposed that language referencing the owner's responsibility for payment of the bill be deleted from Rule No. 1 and that language conditioning the provision of service on the Virginia Department of Health's approval of additional connections be deleted from Rule No. 2. Staff also proposed that the Company modify Rule No. 6 to conform to the standard tariff language for meter testing and delete language in Rule No. 9 permitting posted notice of prospective disconnection. Staff recommended that AquaSource Virginia delete language in Rule No. 10 referencing the treatment of future reconnections in instances where water service has been discontinued for non-payment of bills or for violations of the Company's rules or regulations of service. Finally, Staff recommended that the Company's rates be reviewed after AquaSource Virginia submits the required financial data based on operations for the twelve (12) months commencing January 1, 2000.

On April 3, 2000, Applicants submitted additional information pertaining to their request for Chapter 5 approval.

NOW THE COMMISSION, having considered the application, Staff's Report, and the applicable law, is of the opinion that the above-captioned application should be approved. We find that the public convenience and necessity requires that

AquaSource Virginia acquire the water facilities of the Lake Shawnee Water System. We also believe that such transfer requires our approval pursuant to Chapter 5 of Title 56. We find that the transfer of the assets of the Lake Shawnee Water System will neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates. Moreover, we find that it is in the public interest for AquaSource Virginia to provide service to the Lake Shawnee Subdivision in Powhatan County, Virginia, and that Lake Shawnee's current rates do not appear to be unjust and unreasonable. We will, therefore, approve those rates and will approve the Company's miscellaneous charges and tariff, subject to the modifications recommended by Staff. Following the submission of financial data detailed in our Order of January 30, 2000, we will require our Staff to conduct an audit of AquaSource Virginia's books and records and to file a report detailing its findings and recommendations. Accordingly,

IT IS ORDERED THAT:

(1) Pursuant to §§ 56-89 and 56-90 of the Code of Virginia, Sydnor is hereby granted authority to sell and convey to AquaSource Virginia the assets of the Lake Shawnee Water System, as described in the application.

(2) AquaSource Virginia is hereby authorized to acquire from Sydnor the existing assets of the Lake Shawnee Water System.

(3) The granting of the above-referenced authority shall have no ratemaking implications.

(4) The Company shall file a Report of Action with the Commission's Director of Public Utility Accounting no later than June 23, 2000, detailing the date of transfer, sales price, and accounting entries reflecting the transfer.

(5) AquaSource Virginia shall be granted a certificate of public convenience and necessity, Certificate No. W-294, authorizing it to provide water service to the above-referenced subdivision in Powhatan County, Virginia.

(6) We will approve the Company's proposed rates, charges, and rules and regulations of service, subject to the modifications recommended by Staff.

(7) On or before May 31, 2000, AquaSource Virginia shall file a revised tariff incorporating the modifications referenced herein.

(8) Staff shall conduct an audit of AquaSource Virginia's books and records for the Lake Shawnee Water System and shall file a Report detailing the results of its investigation on or before June 29, 2001.

(9) This case shall be continued generally.